

SOUTHGATE INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Southgate Independent School District
Southgate, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southgate Independent School District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 19, 2025

As management of the Southgate Independent School District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$797,267 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of (\$838,449). The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities for postemployment benefits of \$1,111,001 which caused the deficit balance in the unrestricted net position. The District's total net position changed by (\$244,465).

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is the state mandated accounting system including a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11-17 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position presents financial information on all of the District’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets				
Current assets	\$ 700,862	\$ 1,061,797	\$ 78,626	\$ 91,938
Noncurrent assets	2,511,325	2,611,860	39,298	32,139
Total assets	3,212,187	3,673,657	117,924	124,077
Deferred outflows	457,236	646,605	31,581	33,308
Liabilities				
Current liabilities	317,493	370,262	11,039	71
Noncurrent liabilities	1,936,881	2,235,485	122,040	83,759
Total liabilities	2,254,374	2,605,747	133,079	83,830
Deferred inflows	580,890	707,801	53,318	38,537
Net position				
Net investment in capital assets	1,484,648	1,468,086	35,765	30,337
Restricted	187,960	114,581	(72,657)	4,681
Unrestricted	(838,449)	(575,953)	-	-
Total net position	\$ 834,159	\$ 1,006,714	\$ (36,892)	\$ 35,018

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues:				
Local revenue sources	\$ 1,712,864	\$ 1,673,050	\$ 3,115	\$ 3,648
State revenue sources	1,693,394	1,706,405	16,039	14,517
Federal revenue sources	503,082	911,480	159,772	171,803
Total revenues	3,909,340	4,290,935	178,926	189,968
Expenses:				
Instruction	2,186,239	2,540,747	-	-
Student support	512,302	416,609	-	-
Instruction staff	339,967	298,816	-	-
District administrative	456,338	455,417	-	-
School administrative	187,877	184,238	-	-
Business support	21,538	43,808	-	-
Plant operations	343,613	342,714	-	-
Student transportation	5,589	5,123	-	-
Food service	-	-	250,836	164,352
Community services	4,423	3,049	-	-
Other non instructional	-	-	-	-
Building construction	-	-	-	-
Building improvements	-	8,000	-	-
Interest on long-term debt	24,009	31,916	-	-
Total expenses	4,081,895	4,330,437	250,836	164,352
Transfers	-	-	-	-
Change in net position	\$ (172,555)	\$ (39,502)	\$ (71,910)	\$ 25,616

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$501,848 a change of (\$313,519) from the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$313,888. The total general fund balance changed (\$390,476).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$2,530,993 in capital assets net of depreciation. Net capital assets changed by (\$101,156).

	Governmental Activities		Business-Type Activities	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Land	\$ 9,750	\$ 9,750	\$ -	\$ -
Buildings and improvements	2,358,136	2,432,518	3,649	-
Technology equipment	9,113	21,312	1,208	1,208
Vehicles	17,233	22,821	0	-
General equipment	100,996	110,878	30,908	33,662
Total capital assets, net	\$ 2,495,228	\$ 2,597,279	\$ 35,765	\$ 34,870

Long-Term Obligations

At the end of the fiscal year, the District had \$2,172,534 in long-term liabilities. Long-term liabilities changed by (\$265,323).

	Governmental Activities		Business-Type Activities	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Compensated absences	50,953	67,217	-	-
Bonds payable	1,010,580	1,129,193	-	-
Net OPEB liability	433,000	480,000	-	-
Net pension liability	555,961	677,688	122,040	83,759
Total long-term liabilities	\$ 2,050,494	\$ 2,354,098	\$ 122,040	\$ 83,759

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 8%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund revenue (excluding transfers in) for the District for 2026 is budgeted to increase approximately \$300,000, mainly due to increased on-behalf revenue. Expenditures are budgeted to decrease approximately \$25,000 from the prior year mainly due to lower wage costs. The 2026 budget has an 8% contingency.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Anthony Hughey, 6 William F. Blatt Ave, Southgate KY 41071.

Southgate Independent School District
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 509,218	\$ 78,126	\$ 587,344
Receivables	191,644	-	191,644
Inventory	-	500	500
Noncurrent assets			
Net OPEB asset - CERS	16,097	3,533	19,630
Capital assets, net	2,495,228	35,765	2,530,993
Total assets	3,212,187	117,924	3,330,111
Deferred outflows of resources			
OPEB related	356,311	9,477	365,788
Pension related	100,925	22,104	123,029
Total deferred outflows of resources	457,236	31,581	488,817
Liabilities			
Current liabilities			
Accounts payable	47,970	11,039	59,009
Unearned revenue	151,044	-	151,044
Accrued interest payable	4,866	-	4,866
Bonds payable	113,613	-	113,613
Noncurrent liabilities			
Compensated absences	50,953	-	50,953
Bonds payable	896,967	-	896,967
Net OPEB liability - TRS	433,000	-	433,000
Net pension liability	555,961	122,040	678,001
Total liabilities	2,254,374	133,079	2,387,453
Deferred inflows of resources			
OPEB related	499,926	35,545	535,471
Pension related	80,964	17,773	98,737
Total deferred inflows of resources	580,890	53,318	634,208
Net position			
Net investment in capital assets	1,484,648	35,765	1,520,413
Restricted (deficit)	187,960	(72,657)	115,303
Unrestricted (deficit)	(838,449)	-	(838,449)
Total net position (deficit)	\$ 834,159	\$ (36,892)	\$ 797,267

The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
Statement of Activities
Year Ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue over Expenses
Governmental Activities					
Instruction	\$ 2,186,239	\$ 13,099	\$ 921,770	\$ -	\$ (1,251,370)
Support services:					
Student	512,302	-	286,289	-	(226,013)
Instructional staff	339,967	-	99,565	-	(240,402)
District administration	456,338	-	79,388	-	(376,950)
School administration	187,877	-	55,464	-	(132,413)
Business	21,538	-	-	-	(21,538)
Plant operation	343,613	-	30,308	-	(313,305)
Student transportation	5,589	-	-	-	(5,589)
Community service	4,423	-	1,384	-	(3,039)
Interest on long-term debt	24,009	-	71,137	-	47,128
Total governmental activities	4,081,895	13,099	1,545,305	-	(2,523,491)
Business-Type Activities					
Food service	250,836	3,115	175,811	-	(71,910)
Total business-type activities	250,836	3,115	175,811	-	(71,910)
Total school district	\$ 4,332,731	\$ 16,214	\$ 1,721,116	\$ -	(2,595,401)

	Governmental Activities	Business-Type Activities	Total
Revenue over expenses	\$ (2,523,491)	\$ (71,910)	\$ (2,595,401)
General Revenues			
Property taxes	1,421,986	-	1,421,986
Motor vehicle taxes	83,503	-	83,503
Utilities tax	149,313	-	149,313
State aid	1,112	-	1,112
SEEK	607,167	-	607,167
Federal direct revenue	42,892	-	42,892
Investment earnings	12,836	-	12,836
Other	32,127	-	32,127
Total general revenues	2,350,936	-	2,350,936
Change in net position	(172,555)	(71,910)	(244,465)
Net position (deficit) - beginning of year, as restated	1,006,714	35,018	1,041,732
Net position (deficit) - end of year	\$ 834,159	\$ (36,892)	\$ 797,267

The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
 Balance Sheet – Governmental Funds
 June 30, 2025

	General Fund	Special Revenue Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 296,239	\$ 25,555	\$ 174,838	\$ 12,586	\$ 509,218
Receivables	65,069	126,039	-	536	191,644
Total assets	\$ 361,308	\$ 151,594	\$ 174,838	\$ 13,122	\$ 700,862
Liabilities					
Accounts payable	\$ 47,420	\$ 550	\$ -	-	\$ 47,970
Unearned revenue	-	151,044	-	-	151,044
Total liabilities	47,420	151,594	-	-	199,014
Fund balances					
Restricted	-	-	174,838	13,122	187,960
Committed	-	-	-	-	-
Assigned	-	(47,877)	-	-	(47,877)
Unassigned	313,888	47,877	-	-	361,765
Total fund balances	313,888	-	174,838	13,122	501,848
Total liabilities and fund balances	\$ 361,308	\$ 151,594	\$ 174,838	\$ 13,122	\$ 700,862

The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Position
 June 30, 2025

Total fund balances - governmental funds	\$ 501,848
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	2,495,228
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Deferred outflow and inflow of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - OPEB	356,311
Deferred outflows - pensions	100,925
Deferred inflows - OPEB	(499,926)
Deferred inflows - pension	(80,964)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable	(4,866)
Bonds payable	(1,010,580)
Compensated absences	(50,953)
Net OPEB liability (asset)	(416,903)
Net pension liability	(555,961)

Net position of governmental activities	<u>\$ 834,159</u>
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The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ 1,275,171	\$ -	\$ 146,815	\$ -	\$ 1,421,986
Motor vehicle taxes	83,503	-	-	-	83,503
Utility taxes	149,313	-	-	-	149,313
Earnings on investments	12,716	-	-	120	12,836
Tuition	13,099	-	-	-	13,099
Other local revenue	11,728	4,337	-	16,062	32,127
Intergovernmental state:					
SEEK	568,433	-	29,969	8,765	607,167
On-behalf	800,889	-	-	71,137	872,026
Other	8,602	205,599	-	-	214,201
Intergovernmental federal					
Federal direct	42,892	-	-	-	42,892
Total revenues	2,966,346	670,126	176,784	96,084	3,909,340
Expenditures					
Instruction	1,756,846	447,684	-	12,359	2,216,889
Support services:					
Student	324,894	197,593	-	-	522,487
Instruction staff	333,925	6,177	-	3,004	343,106
District administrative	455,381	-	-	-	455,381
School administrative	196,507	-	-	-	196,507
Business support	21,538	-	-	-	21,538
Plant operation	264,578	20,441	11,233	26,340	322,592
Community services	-	1,384	-	-	1,384
Debt service:					
Principal	-	-	-	120,000	120,000
Interest	-	-	-	22,975	22,975
Total expenditures	3,353,669	673,279	11,233	184,678	4,222,859
Excess of revenues over (under) expenditures	(387,323)	(3,153)	165,551	(88,594)	(313,519)
Other financing sources (uses)					
Transfers in	-	3,153	-	71,838	74,991
Transfers out	(3,153)	-	(71,838)	-	(74,991)
Total other financing sources (uses)	(3,153)	3,153	(71,838)	71,838	-
Net change in fund balances	(390,476)	-	93,713	(16,756)	(313,519)
Fund balances - beginning	704,364	-	81,125	29,878	815,367
Fund balances - end of year	\$ 313,888	\$ -	\$ 174,838	\$ 13,122	\$ 501,848

The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$ (313,519)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(102,051)
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Repayment of long-term liabilities are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds, net	118,613
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Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the funds.

Change in accrued interest payable	353
Change in compensated absences	16,264
Change in OPEB liabilities and deferred amounts	87,522
Change in pension liabilities and deferred amounts	20,263

Change in net position of governmental activities	<u>\$ (172,555)</u>
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The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
Statement of Net Position – Proprietary Fund
June 30, 2025

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 78,126
Accounts receivable	-
Inventories for consumption	500
Total current assets	78,626
Noncurrent assets	
Net OPEB asset - CERS	3,533
Capital assets, net	35,765
Total noncurrent assets	39,298
Total assets	117,924
Deferred outflows of resources	
OPEB related	9,477
Pension related	22,104
Total deferred outflows of resources	31,581
Liabilities	
Current liabilities	
Accounts payable	11,039
Deferred revenue	-
Total current liabilities	11,039
Long-term liabilities	
Net OPEB liability	-
Net pension liability	122,040
Total long-term liabilities	122,040
Total liabilities	133,079
Deferred inflows of resources	
OPEB related	35,545
Pension related	17,773
Total deferred inflows of resources	53,318
Net position	
Net investment in capital assets	35,765
Restricted	(72,657)
Total net position (deficit)	\$ (36,892)

The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
Year Ended June 30, 2025

	Food Service
Operating revenues	
Food service	\$ 3,115
Total operating revenues	3,115
Operating expenses	
Salaries and wages	64,998
Employee benefits	85,314
Purchased services	7,952
Materials and supplies	81,002
Other operating expenses	8,269
Depreciation	3,301
Total operating expenses	250,836
Operating loss	(247,721)
Non operating revenues	
Operating grants - state	238
On-behalf revenue	15,801
Operating grants - federal	157,858
Donated commodities	1,914
Total other financing sources (uses)	175,811
Net change in fund balances	(71,910)
Fund balances - beginning of year	35,018
Fund balances - end of year	\$ (36,892)

The notes to the financial statements are an integral part of this statement.

Southgate Independent School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	Food Service
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 3,115
Cash paid:	
To employees	(97,254)
To suppliers	(69,351)
For operating expenses	(16,221)
<u>Net cash used in operating activities</u>	<u>(179,711)</u>
Cash flows from noncapital financing activities	
Non operating grants	175,811
<u>Net cash provided by noncapital financing activities</u>	<u>175,811</u>
Cash flows from investing activities	
Purchases of equipment	(8,729)
<u>Net cash provided by investing activities</u>	<u>(8,729)</u>
Net increase in cash	(12,629)
Cash - beginning of year	90,755
<u>Cash - end of year</u>	<u>\$ 78,126</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (247,721)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	3,301
Changes in:	
Inventory	683
Payables	10,968
Deferred outflows	1,727
Deferred inflows	14,781
Net OPEB liability	(1,731)
Net pension liability	38,281
<u>Net cash used in operating activities</u>	<u>\$ (179,711)</u>
Noncash activities	
Commodities received from federal	<u>\$ 1,914</u>
On-behalf payments received state	<u>\$ 15,801</u>

The notes to the financial statements are an integral part of this statement.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

The Southgate Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Southgate Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others.

The financial statements of the District include those separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Southgate Independent Board of Education Finance Corporation – The Board authorized the establishment of the Southgate Independent Board of Education Finance Corporation (Corporation), (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *District Activity Fund* is a special revenue fund that accounts for funds received at the school level.

The *School Activity Fund* is a special revenue fund that accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

The *Capital Outlay Fund* is the Support Education Excellence in Kentucky (SEEK) fund and receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified by the district's facility plan.

The *Building Fund* is the Facility Support Program of Kentucky (FSPK) fund and accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District

The *Construction Fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

Proprietary Fund Types (Enterprise Funds)

The *Food Service Fund* accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District also reports a fiduciary fund which focuses on net position and changes in net position.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivable are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-10 years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned by not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by the District board, which is the highest level of decision-making authority. These amounts cannot be used for any other purpose unless the District board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned. Amounts that are designated for a specific purpose. The intent of an assigned fund balance is expressed by either the District board, or a subordinate high-level body such as a finance committee, or an official, such as the superintendent that has the authority to assign amounts to be used for specific purposes.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

Property taxes are levied in September on the assessed value listed as of the prior January 1 for all the real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related compensated absences, pension liability and OPEB liability.

Budgetary Information

Budget information is presented for the General Fund and other funds with a Board approved budget. This budgetary data is prepared on the modified accrual basis of accounting. Budgetary revenues represent original estimates modified for any adjustments approved by the Board during the fiscal year. Budgetary expenditures represent original appropriations adjusted for transfers and additional appropriations approved during the fiscal year. Once the budget is approved, it can be amended by approval of the Board.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through November 19, 2025, the date the financial statements were available to be issued.

NOTE 2: CASH

At year end, the District’s bank balance was \$638,756 and the carrying amount was \$587,344. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

Cash and cash equivalents at year end consisted of the following:

General checking	\$ 638,756
School checking	<u>12,586</u>
Total bank balance	651,342
Outstanding items	<u>(63,998)</u>
Book balance	<u><u>\$ 587,344</u></u>

Cash balances were reported in the following funds:

General fund	296,239
Special revenue	25,555
School activity	12,586
Building	174,838
Food service	<u>78,126</u>
Total funds	<u><u>\$ 587,344</u></u>

Custodial credit risk- deposits. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

NOTE 3: RECEIVABLES

The District reported the following receivables:

	General Fund	Special Revenue Fund	Student Activity Fund	Total
Taxes	\$ 65,069	\$ -	\$ -	\$ 65,069
Accounts	-	-	536	536
Intergovernmental state	-	116	-	116
Intergovernmental federal	-	<u>125,923</u>	-	<u>125,923</u>
Total receivables	<u><u>\$ 65,069</u></u>	<u><u>\$ 126,039</u></u>	<u><u>\$ 536</u></u>	<u><u>\$ 191,644</u></u>

The District believes that all the receivables are fully collectible and no allowance has been reported.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

Business-type Activities				
Buildings and improvements	\$ -	\$ 4,198	\$ -	\$ 4,198
Technology equipment	2,753	-	-	2,753
General equipment	98,319	4,531	-	102,850
Total at historical cost	101,072	8,729	-	109,801
Less accumulated depreciation				
Buildings and improvements	-	549	-	549
Technology equipment	1,545	-	-	1,545
General equipment	69,190	2,752	-	71,942
Total accumulated depreciation	70,735	3,301	-	74,036
Capital assets - net	\$ 30,337	\$ 5,428	\$ -	\$ 35,765

	Balance 6/30/2024	Increases	Decreases	Balance 6/30/2025
Business-type Activities				
Buildings and improvements	\$ -	\$ 4,198	\$ -	\$ 4,198
Technology equipment	2,753	-	-	2,753
General equipment	98,319	4,531	-	102,850
Total at historical cost	101,072	8,729	-	109,801
Less accumulated depreciation				
Buildings and improvements	-	549	-	549
Technology equipment	1,545	-	-	1,545
General equipment	69,190	2,752	-	71,942
Total accumulated depreciation	70,735	3,301	-	74,036
Capital assets - net	\$ 30,337	\$ 5,428	\$ -	\$ 35,765

NOTE 4: CAPITAL ASSETS – CONTINUED

	<u>Governmental</u>	<u>Business-type</u>
Instruction	\$ 57,476	\$ -
Student support	128	-
District admin support	3,647	-
School admin support	450	-
Plant operations	31,722	-
Student transportation	5,589	-
Food service	-	3,301
Community services	<u>3,039</u>	<u>-</u>
<u>Depreciation expense</u>	<u>\$ 102,051</u>	<u>\$ 3,301</u>

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NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

Governmental Activities	Balance			Balance June 30, 2025	Due Within One Year	Long- Term
	June 30, 2024	Increases	Decreases			
Compensated absences	\$ 67,217	\$ -	\$ 16,264	\$ 50,953	\$ -	\$ 50,953
Bonds payable	1,129,193	-	118,613	1,010,580	113,613	896,967
Net OPEB liability	480,000	-	47,000	433,000	-	433,000
Net pension liability	677,688	-	121,727	555,961	-	555,961
Total long-term liabilities	\$ 2,354,098	\$ -	\$ 303,604	\$ 2,050,494	\$ 113,613	\$ 1,936,881

Business-type Activities	Balance			Balance June 30, 2025	Amount Due Within One Year	Long- Term
	June 30, 2024	Increases	Decreases			
Net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability	83,759	38,281	-	122,040	-	122,040
Total long-term liabilities	\$ 83,759	\$ 38,281	\$ -	\$ 122,040	\$ -	122,040

Note 5a: Compensated absences

Employees accrued sick time and personal leave based on classification and years of service. The accrued time is available for use as needed. Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Under GASB 101, the District has accrued a compensated absence liability for the amount that is more likely than not to be used for time of or otherwise paid. The compensated absences at year end is \$50,953.

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Note 5b: Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

Issue	Proceeds	Rates	Balance
2019	\$ 640,000	3.00% - 3.25%	\$ 495,000
2021	965,000	1.00%	535,000
Total bonds			1,030,000
Bond discount			(19,420)
Total			\$ 1,010,580

Bond activity for the year is as follows:

Issue	Balance			Amount		Long-Term
	July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year	
Series 2019	\$ 520,000	\$ -	\$ 25,000	\$ 495,000	\$ 25,000	\$ 470,000
Series 2021	630,000	-	95,000	535,000	90,000	445,000
Total bonds	1,150,000	-	120,000	1,030,000	115,000	915,000
Bond discounts	(20,807)	-	(1,387)	(19,420)	(1,387)	(18,033)
Bonds payable, net	\$ 1,129,193	\$ -	\$ 118,613	\$ 1,010,580	\$ 113,613	\$ 896,967

Debt service requirements for the District's general obligation bonds are as follows:

	Southgate		SFCC		Total
	Principal	Interest	Principal	Interest	
2026	\$ 58,719	\$ 6,389	\$ 56,281	\$ 15,055	\$ 136,444
2027	62,666	5,761	57,334	13,801	139,562
2028	61,587	5,002	58,413	12,724	137,726
2029	60,481	4,269	59,519	11,617	135,886
2030	64,349	3,459	60,651	10,485	138,944
2031-2035	86,531	8,587	178,469	36,189	309,776
2036-2040	32,419	2,708	132,581	10,944	178,652
	\$ 426,752	\$ 36,175	\$ 603,248	\$ 110,815	\$ 1,176,990

Principal	\$ 1,030,000
Interest	146,990
Total	\$ 1,176,990

NOTE 6: PENSION PLANS

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 6a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 6b.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

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NOTE 6a – CERS PENSION PLAN

Plan Description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. District employees participating in CERS are provided benefits through the nonhazardous plan. Employees are vested in the plan after five years of service. For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 Not available

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 19.71%. The District made all required contributions for fiscal year in the amount of \$64,565.

NOTE 6a – CERS PENSION PLAN - CONTINUED

Pension Liability

At June 30, 2025, the District reported a liability of \$678,001 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District’s proportion of the net pension liability for CERS was based on the District’s share of 2024 contributions to the pension plan relative to the 2024 contributions of all participating employers determined by the actuary. At June 30, 2024, the District’s proportion was 0.0113%.

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$96,788 related to CERS

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 32,816	\$ -	
Change of assumptions	-	30,632	
Change in investment experience	-	43,592	
Change in proportionate share of contributions	25,648	24,513	
	58,464	<u>\$ 98,737</u>	<u>\$ (40,273)</u>
Subsequent contributions	<u>64,565</u>		
Total	<u>\$ 123,029</u>		

The contributions subsequent to the measurement date of \$64,565. will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of (\$40,273) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (16,847)
2027	3,047
2028	(16,757)
2029	<u>(9,716)</u>
	<u>\$ (40,273)</u>

NOTE 6a – CERS PENSION PLAN - CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2024, using generally accepted actuarial principles.

There have been no assumption, method, or plan provisions that would materially impact the total pension liability since June 30, 2023.

The significant actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.30%
Salary increases	3.30% to 10.30%
Investment return	6.50%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

NOTE 6a – CERS PENSION PLAN - CONTINUED

Discount rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
District's proportionate share of the CERS net pension liability	\$ 874,054	\$ 678,001	\$ 515,328

NOTE 6b – TRS PENSION PLAN

Plan Description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits Provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

NOTE 6b – TRS PENSION PLAN - CONTINUED

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Pension Liability

The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The State's proportionate share of the TRS net pension liability associated with the district is \$6,262,214 .

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$407,023 related to TRS. The District also recognized revenue of \$407,023 for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Actuarial Assumptions

The assumption for the municipal bond index rate increased from 3.66% to 3.94%.

The significant actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Municipal bond index rate	3.94%
Single discount rate	7.10%

NOTE 6B – TRS PENSION PLAN - CONTINUED

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 7: OPEB PLAN

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 7a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 7b.

OPEB plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

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Note 7a: CERS OPEB Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, District, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 Not available

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 0.00%. The District made all required contributions for the fiscal year in the amount of \$0

Note 7a: CERS OPEB Plan – Continued

OPEB Liability

At June 30, 2025, the District reported an asset of \$19,630 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District's proportionate share was 0.0113%.

OPEB Expense

For the year ended June 30, 2025, the District recognized OPEB expense of (\$38,109) related to CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 10,890	\$ 154,448	
Change of assumptions	17,787	13,851	
Change in investment experience	-	17,913	
Change in proportionate share of contributions	23,973	11,259	
	<u>52,650</u>	<u>\$ 197,471</u>	<u>\$ (144,821)</u>
Subsequent contributions	-		
Total	<u>\$ 52,650</u>		

The contributions subsequent to the measurement date of \$0 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of (\$144,821) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (58,245)
2027	(42,684)
2028	(40,863)
2029	(3,029)
	<u>\$ (144,821)</u>

Note 7a: CERS OPEB Plan – Continued

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2024, using generally accepted actuarial principles

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99%. The total OPEB liability as of June 30, 2024 is determined using these updated assumptions.

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Municipal bond index rate	3.94%
Single discount rate	7.10%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 7a: CERS OPEB Plan – Continued

Discount rate

The discount rate used to measure the total pension liability was 5.99%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>4.99%</u>	<u>5.99%</u>	<u>6.99%</u>
District's proportionate share of the CERS net OPEB liability (asset)	\$ 26,542	\$ (19,630)	\$ (58,451)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the CERS net OPEB liability (asset)	\$ (47,227)	\$ (19,630)	\$ 12,519

Note 7b: TRS OPEB Health Insurance Plan

Plan Description

District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides post-employment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions.

Benefits Provided

To be eligible for medical benefits, the member must have retired either for service or disability and have the required amount of service credit. The plan offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

Local school districts contribute 3.00% of members' salaries and the state contributes the net cost of the health insurance premiums. The District made all required contributions for the fiscal year in the amount of \$44,138 .

OPEB Liability

At June 30, 2025, the District reported a liability of \$433,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District's proportionate share was 0.01941%.

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of \$35,900 related to TRS and on-behalf revenue of \$35,900 for TRS support provided by the Commonwealth.

Note 7b: TRS OPEB Health Insurance Plan - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 130,000	
Change of assumptions	110,000	-	
Change in investment experience	-	14,000	
Change in proportionate share of contributions	159,000	194,000	
	269,000	<u>\$ 338,000</u>	<u>\$ (69,000)</u>
Subsequent contributions	44,138		
Total	<u>\$ 313,138</u>		

The contributions subsequent to the measurement date of \$44,138 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of MIF expense (\$69,000) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (29,000)
2027	(2,000)
2028	-
2029	(17,000)
2030	(19,000)
Thereafter	<u>(2,000)</u>
	<u>\$ (69,000)</u>

Note 7b: TRS OPEB Health Insurance Plan - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Municipal bond index rate	3.94%
Single discount rate	7.10%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	9.00%	1.90%
High Yield Bonds	8.00%	3.80%
Other Categories	9.00%	3.70%
Real Estate	6.50%	3.20%
Private Equity	8.50%	8.00%
Cash	1.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 7b: TRS OPEB Health Insurance Plan - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>6.10%</u>	<u>Discount Rate</u> <u>7.10%</u>	<u>1% Increase</u> <u>8.10%</u>
District's proportionate share of the TRS net OPEB liability	\$ 575,000	\$ 433,000	\$ 315,000

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the TRS net OPEB liability	292,000	433,000	607,000

Note 7c: Combined Deferred Outflows of Resources and Deferred Inflows of Resources

The combined CERS and TRS OPEB deferred outflows of resources and deferred inflows of resources are as follows:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 10,890	\$ 284,448	
Change of assumptions	127,787	13,851	
Change in investment experience	-	31,913	
Change in proportionate share of contributions	182,973	205,259	
	<u>321,650</u>	<u>\$ 535,471</u>	<u>\$ (213,821)</u>
Subsequent contributions	44,138		
Total	<u>\$ 365,788</u>		

The contributions subsequent to the measurement date of \$44,138 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of (\$213,821) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (87,245)
2027	(44,684)
2028	(40,863)
2029	(20,029)
2030	(19,000)
Thereafter	<u>(2,000)</u>
	<u>\$ (213,821)</u>

Note 7d: TRS OPEB Life Insurance Trust

Plan Description

District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides life insurance benefits to retired and active members. The TRS Life Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation.

Benefits Provided

TRS provides a life insurance benefit of \$5,000 for members who are retired for service or disability and \$2,000 for active contributing members who began participating before January 1, 2022. For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

Contributions

The state contributes 0.08% of members' salaries for the life insurance trust. Local school districts do not contribute to the plan.

OPEB Liability

The District did not report a liability for the District's proportionate share of the net OPEB liability for TRS because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The State's proportionate share of the TRS net OPEB liability associated with the district is .

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of \$1,075 related to TRS and on-behalf revenue of \$1,075 for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Note 7d: TRS OPEB Life Insurance Trust - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Municipal bond index rate	3.94%
Single discount rate	7.10%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	40.00%	5.00%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Other Categories	5.00%	3.70%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 7d: TRS OPEB Life Insurance Trust - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 8: ON-BEHALF

For the year ended June 30, 2025, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 800,889
Debt service	71,137
Food service	15,801
	<u>\$ 887,827</u>

Type	
Retirement Fund	\$ 407,023
Medical Insurance Fund	35,900
Life insurance fund	1,075
Health insurance less federal reimbursement	328,930
Life insurance	447
Administrative fee	3,576
HRA/Dental/Vision insurance	18,200
Technology	21,539
Debt service	71,137
	<u>\$ 887,827</u>

NOTE 9: FUND TRANSFERS

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Technology match	\$ 3,153
Building	Debt service	Debt service	71,838
		Total transfers	\$ 74,991

Transfers are reported in financial statements as follows:

	Transfers In	Transfers Out	Net Transfer
Governmental funds	\$ 74,991	\$ 74,991	\$ -
Proprietary fund	-	-	-
	\$ 74,991	\$ 74,991	\$ -

NOTE 10: CONTINGENCIES

Grants. The District receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District’s grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2025, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 12: DEFICIT FUND BALANCES AND CURRENT YEAR DEFICITS

There are no funds that have a deficit balance at the end of the fiscal year.

The following funds had a current year net decrease in fund balance:

General fund	\$ (390,476)
Capital outlay	\$ (17,575)

NOTE 13: CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2024, the District implemented Government Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and GASB Statement No. 101, Compensated Absences.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of GASB 100 did not have any effect on beginning net position/fund balance.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The implementation of GASB 101 did not have any effect on beginning net position / fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

Southgate Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Property taxes	\$ 1,236,787	\$ 1,236,787	\$ 1,275,171	\$ 38,384
Motor vehicle taxes	80,000	80,000	83,503	3,503
Utility taxes	140,000	140,000	149,313	9,313
Earnings on investments	9,000	9,000	12,716	3,716
Tuition	3,500	3,500	13,099	9,599
Other local revenue	3,200	3,200	11,728	8,528
Intergovernmental state:				
SEEK	666,245	666,245	568,433	(97,812)
On-behalf	877,712	877,712	800,889	(76,823)
Other	5,000	5,000	8,602	3,602
Federal direct	30,000	30,000	42,892	12,892
Total revenues	3,051,444	3,051,444	2,966,346	(85,098)
Expenditures				
Instruction	1,755,209	1,755,209	1,756,846	(1,637)
Support services:				
Student	280,148	280,148	324,894	(44,746)
Instruction staff	319,677	319,677	333,925	(14,248)
District administrative	493,483	493,483	455,381	38,102
School administrative	208,804	208,804	196,507	12,297
Business support	64,724	64,724	21,538	43,186
Plant operation and maintenance	327,239	327,239	264,578	62,661
Contingency	302,946	302,946	-	302,946
Total expenditures	3,752,230	3,752,230	3,353,669	398,561
Excess of revenues over (under) expenditures	(700,786)	(700,786)	(387,323)	313,463
Other financing sources (uses)				
Transfers in	3,500	3,500	-	(3,500)
Transfers out	(3,500)	(3,500)	(3,153)	347
Total other financing sources (uses)	-	-	(3,153)	(3,153)
Net change in fund balances	(700,786)	(700,786)	(390,476)	310,310
Fund balances - beginning	700,786	700,786	704,364	3,578
Fund balances - end of year	\$ -	\$ -	\$ 313,888	\$ 313,888

Southgate Independent School District
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Other local revenue	\$ -	\$ -	\$ 4,337	\$ 4,337
Intergovernmental state:				
On-behalf	234,796	234,796	-	(234,796)
Other	-	-	205,599	205,599
Intergovernmental federal	243,487	243,487	460,190	216,703
Total revenues	478,283	478,283	670,126	191,843
Expenditures				
Instruction	398,923	398,923	447,684	(48,761)
Support services:				
Student	58,402	58,402	197,593	(139,191)
Instruction staff	3,158	3,158	6,177	(3,019)
Plant operation and maintenance	20,000	20,000	20,441	(441)
Community services	1,300	1,300	1,384	(84)
Total expenditures	481,783	481,783	673,279	(191,496)
Excess of revenues over (under) expenditures	(3,500)	(3,500)	(3,153)	347
Other financing sources (uses)				
Transfers in	3,500	3,500	3,153	(347)
Transfers out	-	-	-	-
Total other financing sources (uses)	3,500	3,500	3,153	(347)
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	566	566
Fund balances - end of year	\$ -	\$ -	\$ 566	\$ 566

Budget Process

The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary accounting method and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget.

Budget Variances

General Fund

General fund revenues were \$85,098 less than budget and expenditures were \$97,252 less than budget (excluding the contingency).

Special Revenue Fund

Special revenue fund revenues were \$191,843 more than budget and expenditures were \$191,496 more than budget.

Southgate Independent School District
Schedule of District's Share of Net Pension Liability and Contributions – CERS
June 30, 2025

Schedule of District's Proportionate Share of the Net Pension Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0113%	\$ 678,001	\$ 430,077	157.65%	61.61%
2024	2023	0.0119%	\$ 761,447	\$ 327,575	232.45%	57.48%
2023	2022	0.0106%	\$ 768,083	\$ 430,077	178.59%	52.42%
2022	2021	0.0096%	\$ 610,291	\$ 340,932	179.01%	55.95%
2021	2020	0.0105%	\$ 807,335	\$ 293,514	275.06%	47.81%
2020	2019	0.0094%	\$ 658,504	\$ 249,817	263.59%	50.45%
2019	2018	0.0071%	\$ 432,655	\$ 282,651	153.07%	53.54%
2018	2017	0.0074%	\$ 434,959	\$ 236,163	184.18%	53.32%
2017	2016	0.0067%	\$ 329,589	\$ 176,063	187.20%	55.50%
2016	2015	0.0067%	\$ 288,667	\$ 180,915	159.56%	59.97%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 64,565	\$ 64,565	\$ -	\$ 327,575	19.71%
2024	\$ 100,380	\$ 100,380	\$ -	\$ 430,077	23.34%
2023	\$ 79,778	\$ 79,778	\$ -	\$ 340,932	23.40%
2022	\$ 62,167	\$ 62,167	\$ -	\$ 293,514	21.18%
2021	\$ 48,215	\$ 48,215	\$ -	\$ 249,817	19.30%
2020	\$ 54,551	\$ 54,551	\$ -	\$ 282,651	19.30%
2019	\$ 38,305	\$ 38,305	\$ -	\$ 236,163	16.22%
2018	\$ 25,494	\$ 25,494	\$ -	\$ 176,063	14.48%
2017	\$ 25,237	\$ 25,237	\$ -	\$ 180,915	13.95%
2016	\$ 13,860	\$ 13,860	\$ -	\$ 111,594	12.42%

Southgate Independent School District
 Schedule of District's Share of Net Pension Liability and Contributions - TRS
 June 30, 2025

Schedule of District's Proportionate Share of the Net Pension Liability - TRS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0000%	\$ -	\$ 6,262,214	\$ 1,343,233	0.00%	60.36%
2024	2023	0.0000%	\$ -	\$ 6,370,424	\$ 1,249,900	0.00%	57.68%
2022	2021	0.0000%	\$ -	\$ 4,671,204	\$ 1,271,333	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 5,374,349	\$ 1,131,233	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 5,291,147	\$ 1,188,066	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 4,894,985	\$ 1,196,466	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 8,761,297	\$ 1,144,166	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 9,240,614	\$ 977,367	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 6,992,493	\$ 977,367	0.00%	42.49%
2015	2014	0.0000%	\$ -	\$ 7,434,525	\$ 977,367	0.00%	45.59%

Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 1,471,267	0.00%
2024	\$ -	\$ -	\$ -	\$ 1,343,233	0.00%
2023	\$ -	\$ -	\$ -	\$ 1,249,900	0.00%
2022	\$ -	\$ -	\$ -	\$ 1,271,333	0.00%
2021	\$ -	\$ -	\$ -	\$ 1,131,233	0.00%
2020	\$ -	\$ -	\$ -	\$ 1,188,066	0.00%
2019	\$ -	\$ -	\$ -	\$ 1,196,466	0.00%
2018	\$ -	\$ -	\$ -	\$ 1,144,166	0.00%
2017	\$ -	\$ -	\$ -	\$ 977,367	0.00%
2016	\$ -	\$ -	\$ -	\$ 977,367	0.00%

Southgate Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions - CERS
 June 30, 2025

Schedule of District's Proportionate Share of the Net OPEB Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0113%	\$ (19,630)	\$ 430,077	-4.56%	104.89%
2024	2023	0.0119%	\$ (16,383)	\$ 340,944	-4.81%	104.23%
2023	2022	0.0102%	\$ 209,646	\$ 293,651	71.39%	60.95%
2022	2021	0.0096%	\$ 183,213	\$ 249,817	73.34%	58.41%
2021	2020	0.0105%	\$ 254,098	\$ 282,651	89.90%	51.67%
2020	2019	0.0081%	\$ 154,661	\$ 236,163	65.49%	60.44%
2019	2018	0.0097%	\$ 126,112	\$ 176,063	71.63%	57.62%
2018	2017	0.0119%	\$ 149,839	\$ 180,915	82.82%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 327,575	0.00%
2024	\$ -	\$ -	\$ -	\$ 430,077	0.00%
2023	\$ 11,558	\$ 11,558	\$ -	\$ 340,944	3.39%
2022	\$ 16,973	\$ 16,973	\$ -	\$ 293,651	5.78%
2021	\$ 11,891	\$ 11,891	\$ -	\$ 249,817	4.76%
2020	\$ 13,454	\$ 13,454	\$ -	\$ 282,651	4.76%
2019	\$ 12,422	\$ 12,422	\$ -	\$ 236,163	5.26%
2018	\$ 8,274	\$ 8,274	\$ -	\$ 176,063	4.70%

Southgate Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Medical Insurance Plan
 June 30, 2025

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0194%	\$ 433,000	\$ 385,000	\$ 1,343,233	32.24%	59.81%
2024	2023	0.0197%	\$ 480,000	\$ 404,000	\$ 1,249,900	38.40%	52.97%
2023	2022	0.0282%	\$ 701,000	\$ 230,000	\$ 1,271,333	55.14%	47.75%
2022	2021	0.0191%	\$ 410,000	\$ 333,000	\$ 1,131,233	36.24%	51.47%
2021	2020	0.0206%	\$ 510,000	\$ 408,000	\$ 1,188,066	42.93%	32.58%
2020	2019	0.0206%	\$ 603,000	\$ 487,000	\$ 1,196,466	50.40%	32.58%
2019	2018	0.0193%	\$ 669,000	\$ 498,000	\$ 1,144,166	58.47%	25.54%
2018	2017	0.0171%	\$ 610,000	\$ 576,000	\$ 977,366	62.41%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 44,138	\$ 44,138	\$ -	\$ 1,471,267	3.00%
2024	\$ 40,297	\$ 40,297	\$ -	\$ 1,343,233	3.00%
2023	\$ 37,497	\$ 37,497	\$ -	\$ 1,249,900	3.00%
2022	\$ 38,140	\$ 38,140	\$ -	\$ 1,271,333	3.00%
2021	\$ 33,937	\$ 33,937	\$ -	\$ 1,131,233	3.00%
2020	\$ 35,642	\$ 35,642	\$ -	\$ 1,188,066	3.00%
2019	\$ 35,894	\$ 35,894	\$ -	\$ 1,196,466	3.00%
2018	\$ 34,325	\$ 34,325	\$ -	\$ 1,144,166	3.00%

Southgate Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Life Insurance Plan
 June 30, 2025

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0000%	\$ -	\$ 9,000	\$ 1,343,000	0.00%	80.56%
2024	2023	0.0000%	\$ -	\$ 10,000	\$ 1,249,900	0.00%	76.91%
2023	2022	0.0000%	\$ -	\$ 11,000	\$ 1,271,333	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 4,000	\$ 1,131,233	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 12,000	\$ 1,188,066	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 11,000	\$ 1,196,466	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 10,000	\$ 1,144,166	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 7,000	\$ 977,366	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 1,471,267	0.00%
2024	\$ -	\$ -	\$ -	\$ 1,343,000	0.00%
2023	\$ -	\$ -	\$ -	\$ 1,249,900	0.00%
2022	\$ -	\$ -	\$ -	\$ 1,271,333	0.00%
2021	\$ -	\$ -	\$ -	\$ 1,131,233	0.00%
2020	\$ -	\$ -	\$ -	\$ 1,188,066	0.00%
2019	\$ -	\$ -	\$ -	\$ 1,196,466	0.00%
2018	\$ -	\$ -	\$ -	\$ 1,144,166	0.00%

SUPPLEMENTARY INFORMATION

Southgate Independent School District
 Combining Balance Sheet – Nonmajor Funds
 June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Construction Fund	Debt Service Fund	Non-Major Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 12,586	\$ -	\$ -	\$ -	\$ 12,586
Receivables	-	536	-	-	-	536
Total assets	\$ -	\$ 13,122	\$ -	\$ -	\$ -	\$ 13,122
Fund balances						
Restricted	-	13,122	-	-	-	13,122
Total fund balances	-	13,122	-	-	-	13,122
Total liabilities and fund balances	\$ -	\$ 13,122	\$ -	\$ -	\$ -	\$ 13,122

Southgate Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
Year Ended June 30, 2025

	District Activity Fund	School Activity Fund	Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues						
From local sources:						
Earnings on investments	\$ -	\$ 120	\$ -	\$ -	\$ -	\$ 120
Other local revenue	-	16,062	-	-	-	16,062
Intergovernmental state:						
SEEK	-	-	8,765	-	-	8,765
On-behalf	-	-	-	-	71,137	71,137
Total revenues	-	16,182	8,765	-	71,137	96,084
Expenditures						
Instruction	-	12,359	-	-	-	12,359
Support services:						
Instruction staff	-	3,004	-	-	-	3,004
Plant operation	-	-	26,340	-	-	26,340
Debt service						
Principal	-	-	-	-	120,000	120,000
Interest	-	-	-	-	22,975	22,975
Total expenditures	-	15,363	26,340	-	142,975	184,678
Excess of revenues over (under) expenditures	-	819	(17,575)	-	(71,838)	(88,594)
Other financing sources (uses)						
Transfers in	-	-	-	-	71,838	71,838
Total other financing sources (use)	-	-	-	-	71,838	71,838
Net change in fund balances	-	819	(17,575)	-	-	(16,756)
Fund balances - beginning	-	12,303	17,575	-	-	29,878
Fund balances - end of year	\$ -	\$ 13,122	\$ -	\$ -	\$ -	\$ 13,122

Southgate Independent School District
Combining Statement of School Activity Funds
Year Ended June 30, 2025

	Cash Balance			Cash Balance	
	July 1, 2024	Receipts	Expenditure	June 30, 2025	
Southgate Independent	\$ 12,304	\$ 16,182	\$ 15,363	\$ 13,123	
	<u>\$ 12,304</u>	<u>\$ 16,182</u>	<u>\$ 15,363</u>	<u>\$ 13,123</u>	
	Cash Balance	Receipts	Expenditure	Transfers	Cash Balance
	July 1, 2024				June 30, 2025
Preschool	\$ 134	\$ -	\$ -	\$ -	\$ 134
Kindergarten	740	284	828	-	196
First grade	7	100	-	-	107
Second Grade	-	135	-	-	135
Third grade	134	-	-	-	134
Fourth grade	9	-	-	-	9
Fifth grade	5	-	-	-	5
Sixth grade	108	270	256	-	122
Seventh grade	92	70	-	-	162
Eighth grade	1	120	440	-	(319)
Eighth grade trip	1,200	347	-	-	1,547
Band	300	62	-	-	362
NKOA	29	4,440	2,667	-	1,802
Student needs	1,915	-	-	-	1,915
Library	364	3,122	3,003	-	483
Student council	1,502	1,292	1,188	(92)	1,514
Yearbook	589	958	1,239	(308)	-
Office	2,304	120	964	400	1,860
K-4 school field trip	717	352	1,286	-	(217)
Art	191	-	-	-	191
GOTR	6	-	-	-	6
Farmers grant	250	-	-	-	250
PBIS	1,316	800	568	-	1,548
Miscellaneous	121	3,060	2,524	-	657
K-8 Ed Mar field trip	-	-	-	-	-
Gifted and talented	270	-	-	-	270
Chess Club	-	250	-	-	250

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*



Kentucky State Committee for School District Audits
Members of the Board of Education
Southgate Independent School District
Flemingsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Southgate Independent School District (District) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated November 19, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated November 19, 2025.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 19, 2025

Kentucky State Committee for School District Audits
Members of the Board of Education
Southgate Independent School District
Fort Thomas, Kentucky

In planning and performing our audit of the financial statements of Southgate Independent School District (District) for the year ended June 30, 2025, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 19, 2025 contains our report on

the District's internal control. This letter does not affect our report dated November 19, 2025 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at our convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 19, 2025

Central Office

2025-01

During our testing of expenditures, we noted that a majority of expenditures did not have a purchase order or proper approvals. We strongly recommend that the District adhere to its purchasing policy 4.311 and improve its purchasing and approval process.

School Activity Fund

2025-01

Several student organization accounts with balances at year-end had no activity during the year and are considered inactive. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) require these accounts to be closed and transferred to the organization designated by the inactive account sponsor or transferred to the general activity fund if no designation is made. This is a repeat of prior year comment 2024-01.

2025-02 During our testing of student activity fund disbursements we noted instances of disbursements that did not have approvals of the sponsor and/or the school bookkeeper. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for processing disbursements. This is a repeat of 2023-03 from the prior year.

2025-03 During our testing of student activity receipts we noted instances of deposits not being made timely. We also noted instances where proper receipt forms were not being completed. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for processing receipts.

Prior Year Comments

2024-01 The comment was repeated in the current year.

2024-02 The comment was repeated in the current year.